

# Consumer vulnerability in the energy system

## Game changer

Stakeholder workshop

# Workshop structure

**1**

## Prepare

Thank you for completing the pre-workshop tasks. We hope these will support a productive conversation today.

**2**

## Refresh

We will briefly review some key takeaways from the 24 March workshop to set the scene for today's discussion.

**3**

## Rethink

We will then focus on some activities identified in the *Prepare* material, which aim to build a shared foundation for further action.

**4**

## Reflect

We will provide a high-level summary of what happened in the workshop, to make sure we captured everything correctly.

**5**

## Next steps

The workshop will end with a discussion of our proposed next steps.

# Refresh: **Issues with traditional assumptions**

## Traditional assumptions

- Income distribution should be dealt with through the tax and transfer system
- Other forms of vulnerability should be dealt with through other support systems
- The energy market should be as efficient as possible

## Issues with these assumptions

- They do not always prevent adverse outcomes
- Some consumers face disconnection
- However, energy is essential
- Therefore, disconnection is a last resort

# Refresh: Measuring the costs of vulnerability

## Quantifiable financial costs ...



**CONSUMERS**

\$379 million



**RETAILERS**

\$264 million



**GOVERNMENT AND  
NOT-FOR PROFIT**

\$48 million +  
\$835 million in concessions

**+ quantifiable non-financial and non-quantifiable costs**

(e.g. mental & emotional stress, reduced quality of living and reduced credit rating)

*Based on modelling by EY PJP*

# Refresh: The increasing need for a Game Changer



Recent challenges for the east coast energy market have put a significant spotlight on energy affordability, security and reliability in Australia

This is damaging consumer confidence in the energy system



As the energy system transitions to net zero, consumer trust and confidence are more important than ever

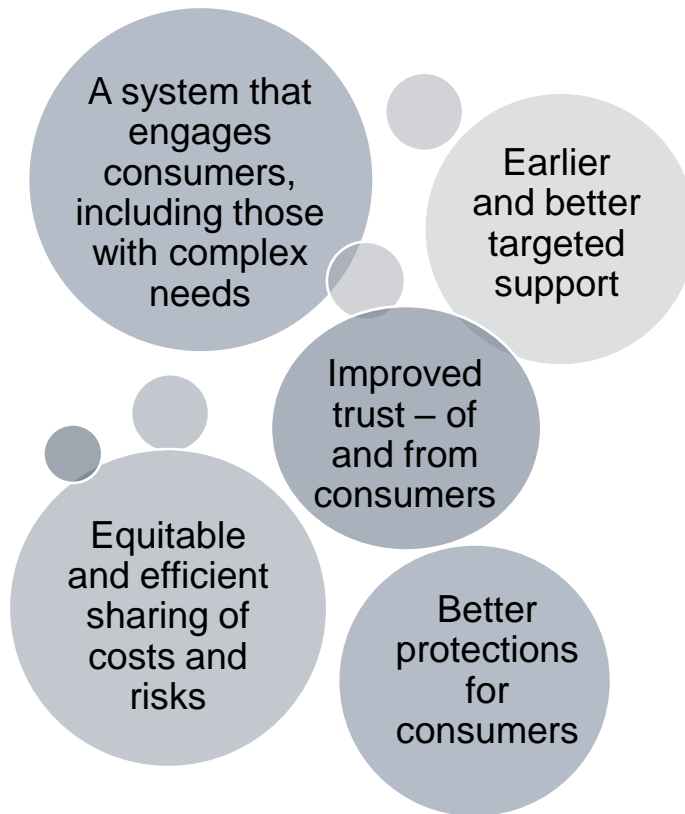
This will add affordability and trust pressures



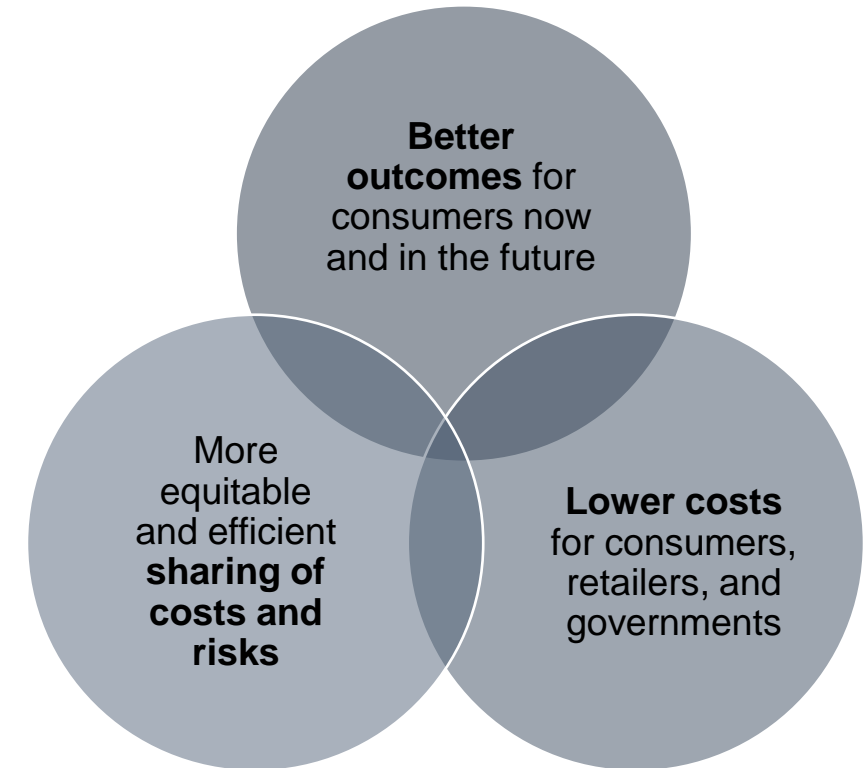
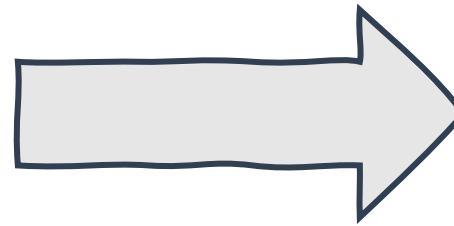
There are mounting cost of living pressures in the current economic climate

Likely increase in number of consumers that will experience payment difficulties

# Refresh: Future state of the energy system



**What needs to change?**



**What would be the impact?**

# Rethink: Proposed design principles

Any solution should ...

## IMPACT



Materially reduce consumers' quantifiable and unquantifiable costs as much as possible

Consumer perspective

## SEVERITY



Address the most commonly occurring or persistent individual harms, and the most complex cases

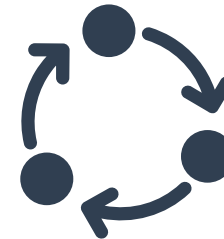
## EFFICIENCY



Deliver cost-efficient initiatives which are complemented by aligned incentives

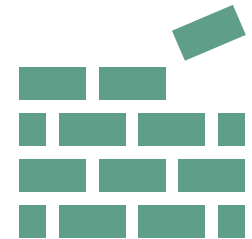
Energy system perspective

## EQUITY



Deliver equitable outcomes for energy market participants & optimal risk allocation

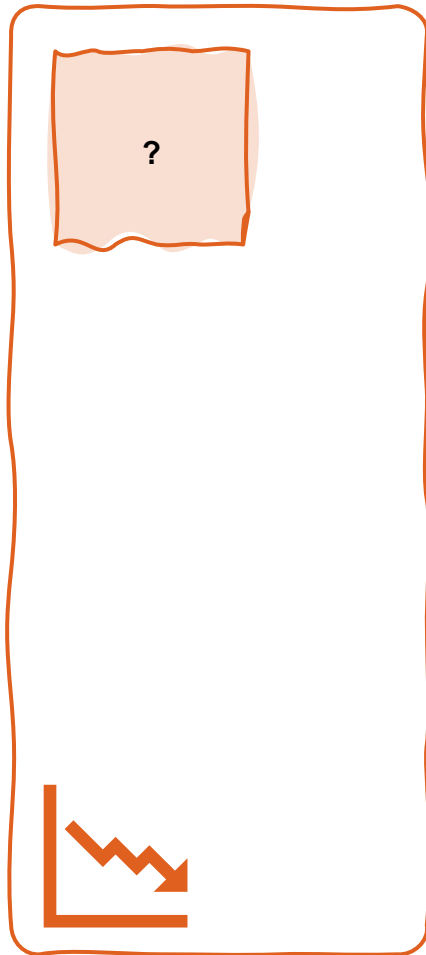
## CONTEXT



Complement existing initiatives while being as simple as it can be, now and in the future

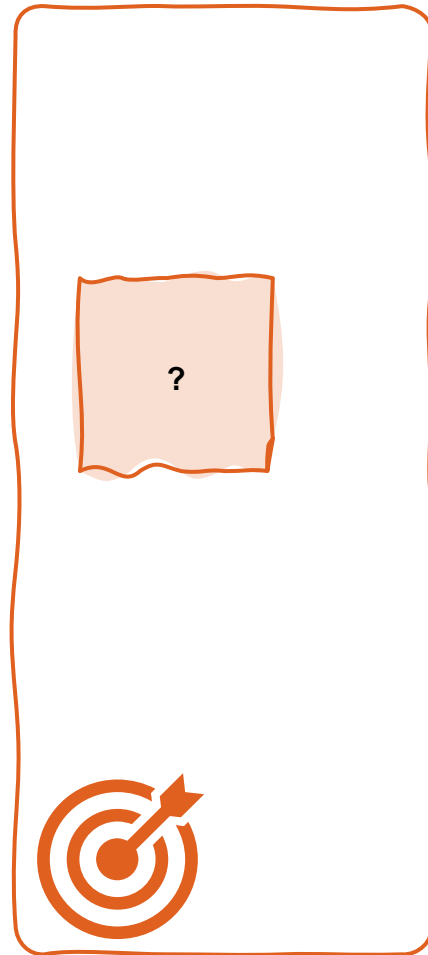
# Exercise: Refining the design principles

IMPACT



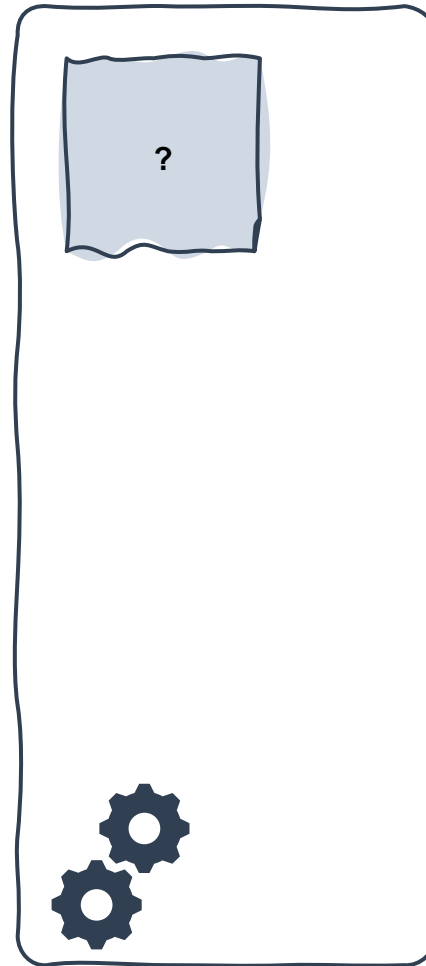
A vertical card with an orange border. At the top is a light orange square with a question mark. At the bottom is an orange icon of a line graph with a downward arrow.

SEVERITY



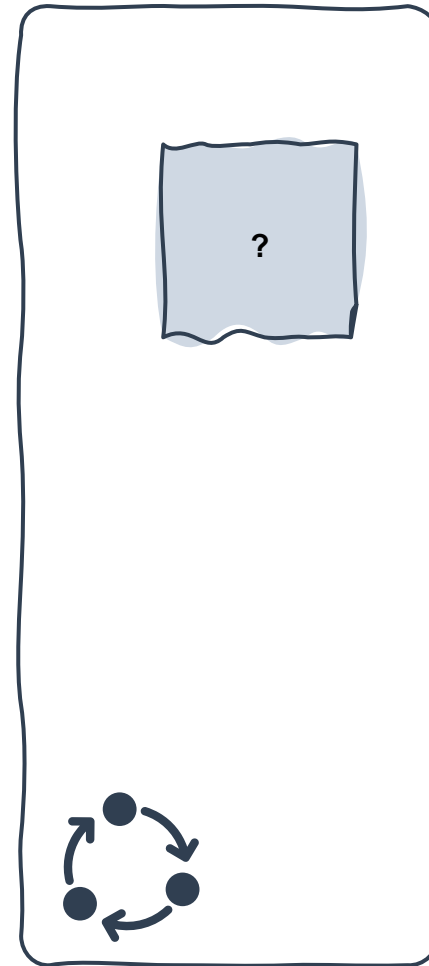
A vertical card with an orange border. At the top is a light orange square with a question mark. At the bottom is an orange icon of a target with an arrow hitting the bullseye.

EFFICIENCY



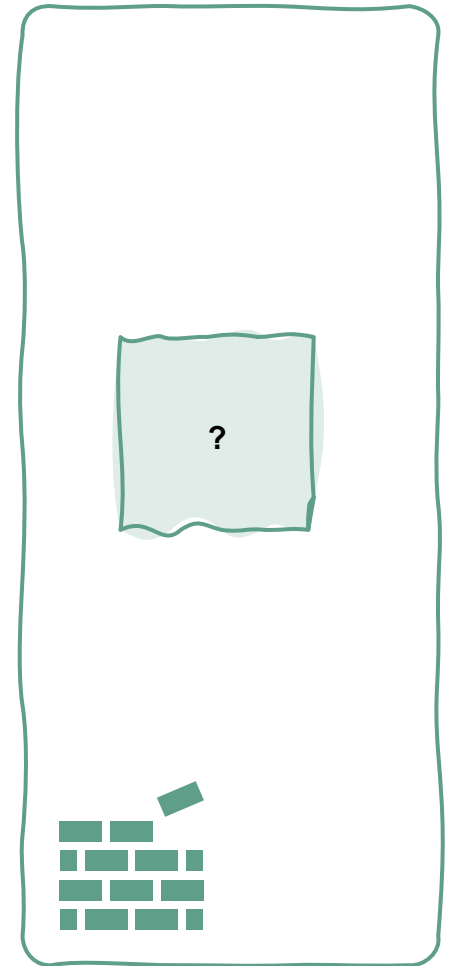
A vertical card with a dark blue border. At the top is a light blue square with a question mark. At the bottom is a dark blue icon of two interlocking gears.

EQUITY



A vertical card with a dark blue border. At the top is a light blue square with a question mark. At the bottom is a dark blue icon of three people in a circle with arrows, representing a cycle or equity.

CONTEXT



A vertical card with a green border. At the top is a light green square with a question mark. At the bottom is a green icon of a brick wall with one brick missing.



# Exercise: **Solution spaces**

## Themes from what we've heard so far ...



### **Operational support**

*Changing how the energy system provides services to consumers*



### **Financial support**

*Changing the financial supports available to consumers*



### **Regulatory protections**

*Changing the rules that govern the energy system to protect consumers*



### **System enablers**

*Changing the systems that support the energy system*

**The next slides will explore some specific ideas within these areas.**

# Solution space 1: Central service body

## Problems

What isn't working now?

Variable customer support across retailers

Variable supports across jurisdictions

Large numbers of customers not connected with right supports, on unsustainable payment plans and disconnected

## Desires

What do we want to happen instead?

Early intervention

Higher quality tailored support

Lower cost efficient services

## Central service body

What are the ingredients of effective solutions in this space?

Responsibility for engaging with and assisting customers

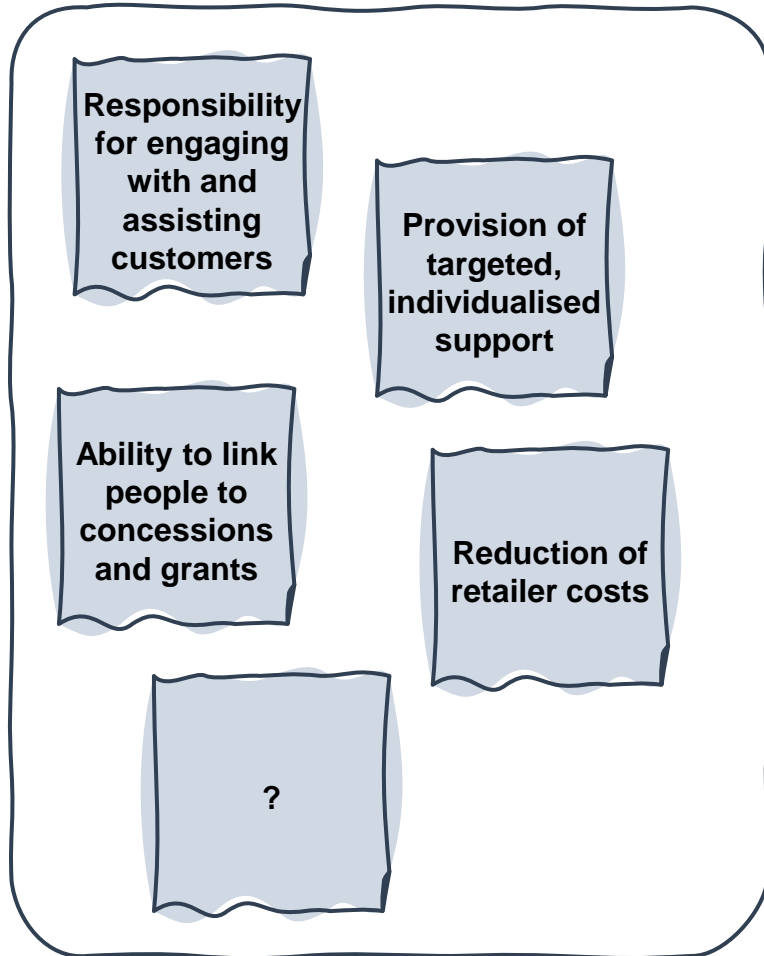
Provision of targeted, individualised support

Ability to link people to concessions and grants

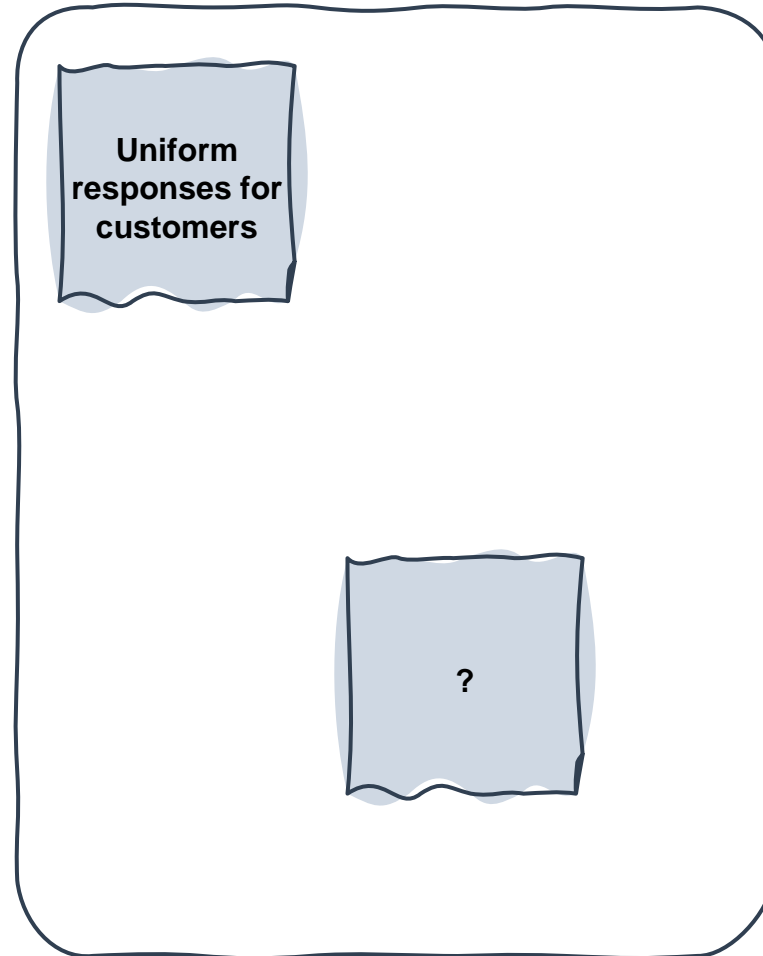
Reduction of retailer costs

# Exercise: Central service body solution space

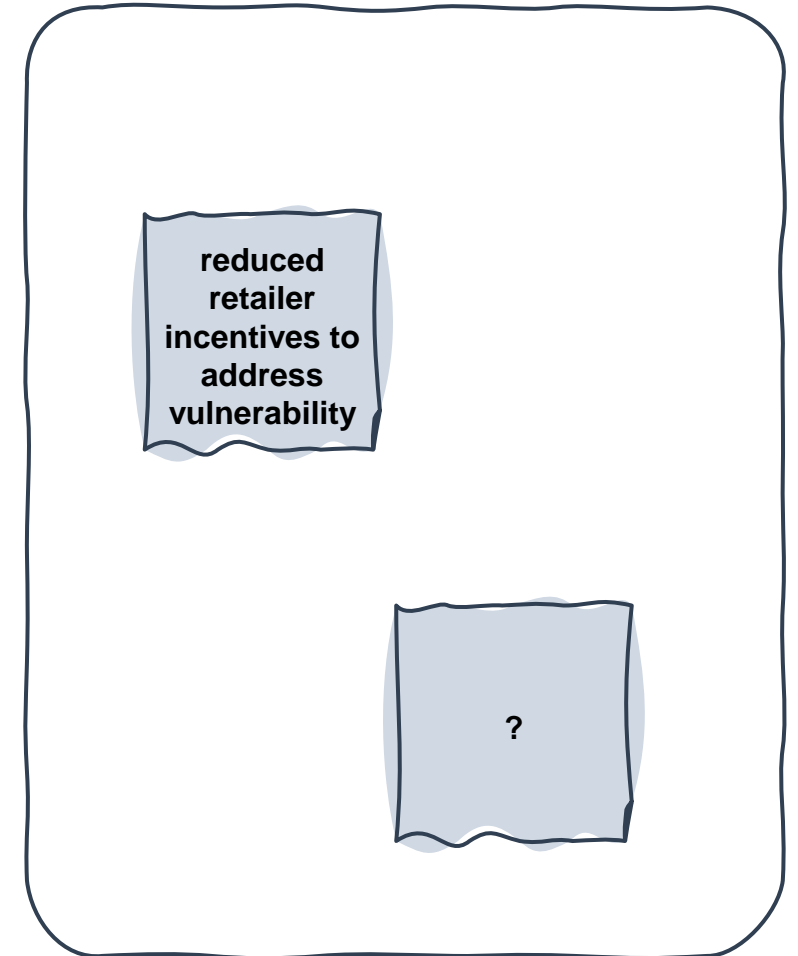
## Ingredients



## Benefits



## Challenges



# Solution space 2: Financial supports

## Problems

What isn't working now?

Array of government concessions

Individual hardship policies and retailer discretion in offering discounts and supports

Large numbers of customers not connected with right supports

## Desires

What do we want instead?

Reduction in cost of energy for consumers experiencing vulnerability

Uniformity in additional financial supports available

## Financial supports

What are the ingredients of effective solutions in this space?

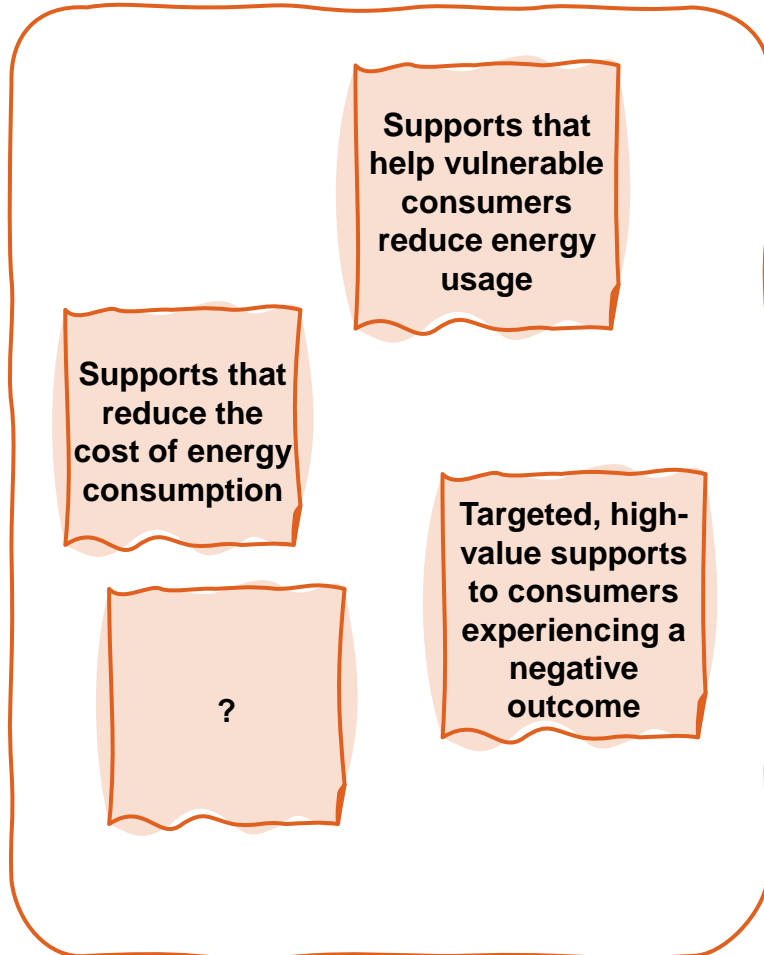
Supports that reduce the cost of energy consumption for vulnerable consumers (e.g. social tariffs, proactive discounts)

Supports that help vulnerable consumers reduce energy usage (e.g. rebates on energy-efficient appliances)

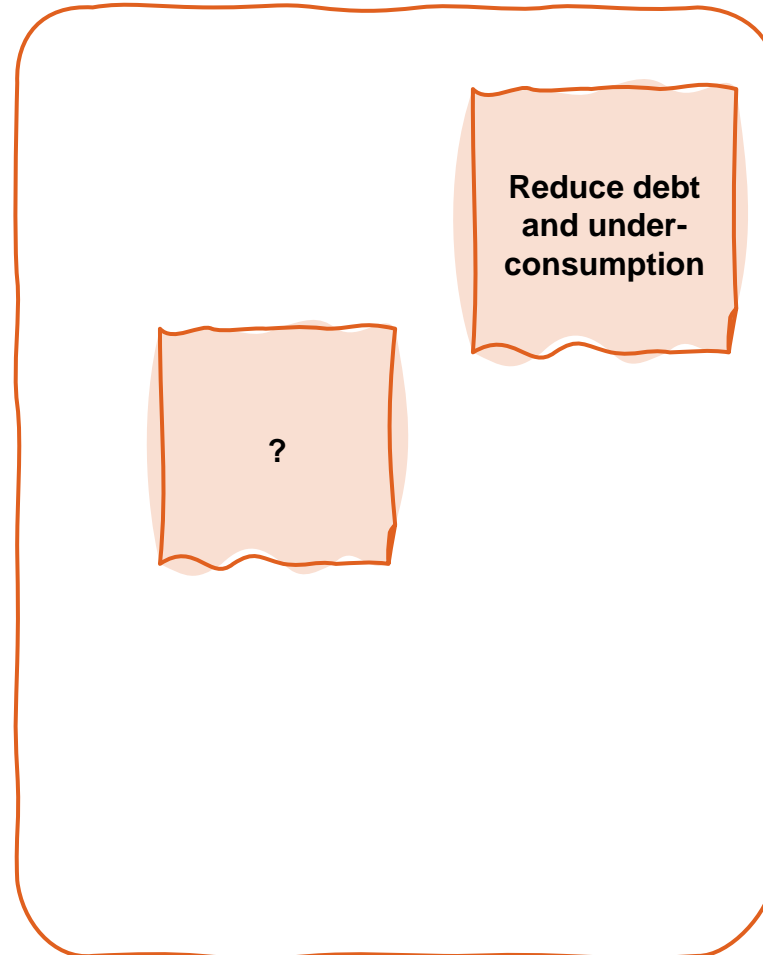
Targeted, high-value financial supports (e.g. bill discounts, debt write-offs) to consumers experiencing a negative outcome in the energy system

# Exercise: Financial supports solution space

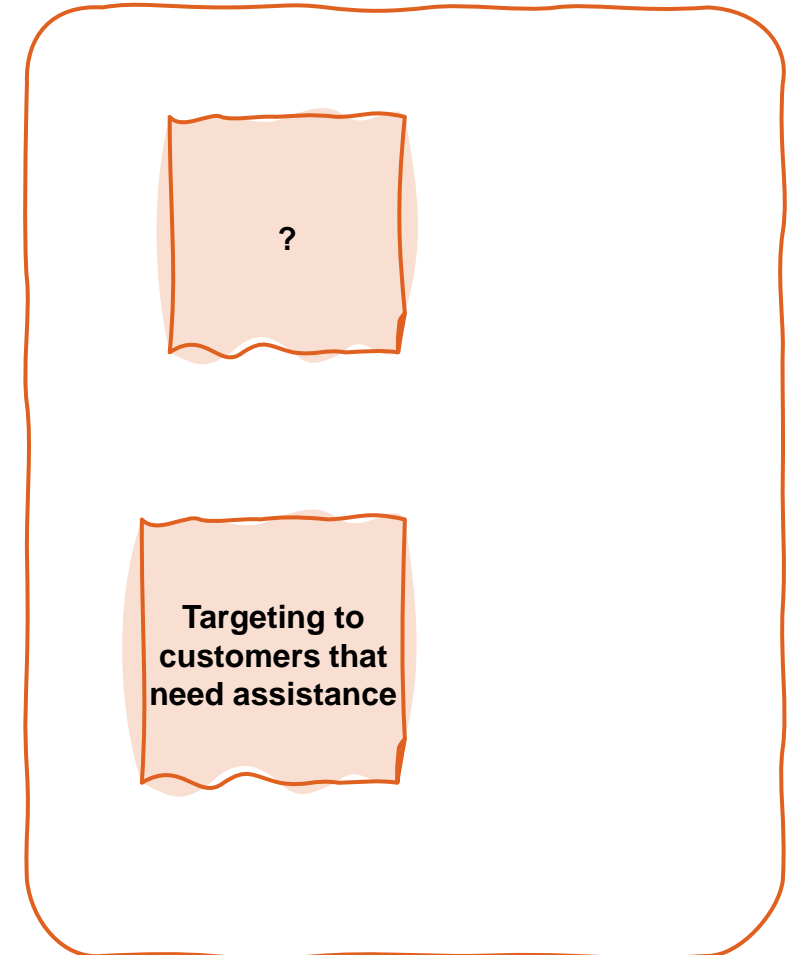
## Ingredients



## Benefits



## Challenges



# Solution space 3: Disconnection protections

## Problems

What isn't working now?

Disconnections occur frequently  
*Approximately 95,000 customers are disconnected during a BAU year*

Disconnection warning letters are poor engagement tool

## Desires

What do we want instead?

No disconnections of vulnerable customers who cannot afford to pay

## Disconnection protections

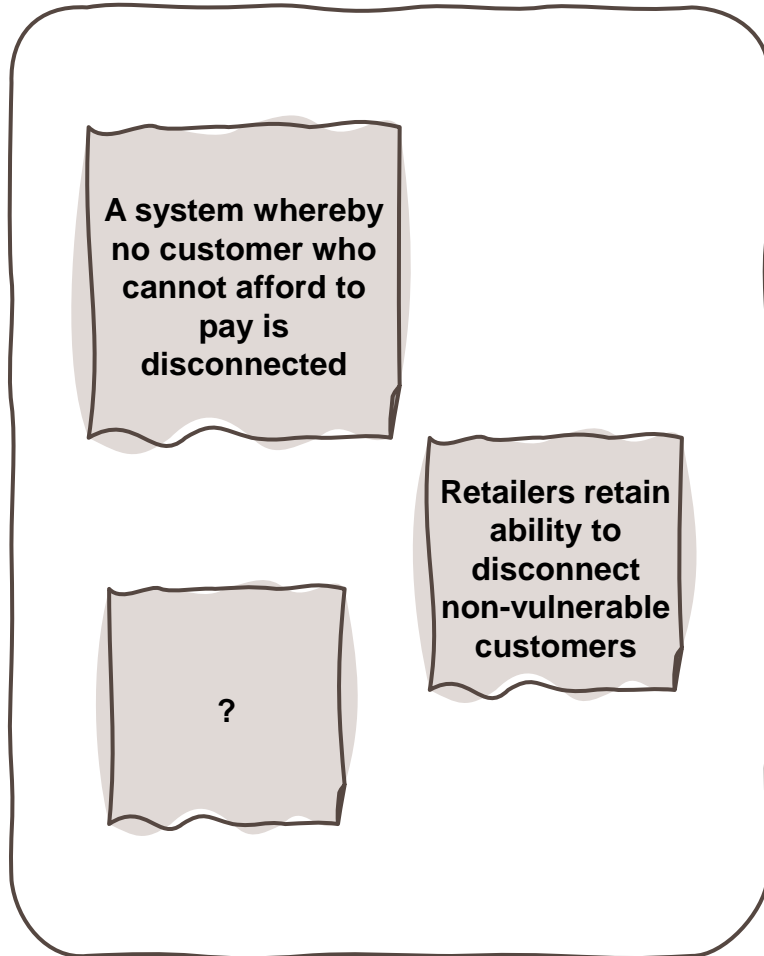
What are the ingredients of effective solutions in this space?

A system whereby no customer who cannot afford to pay is disconnected

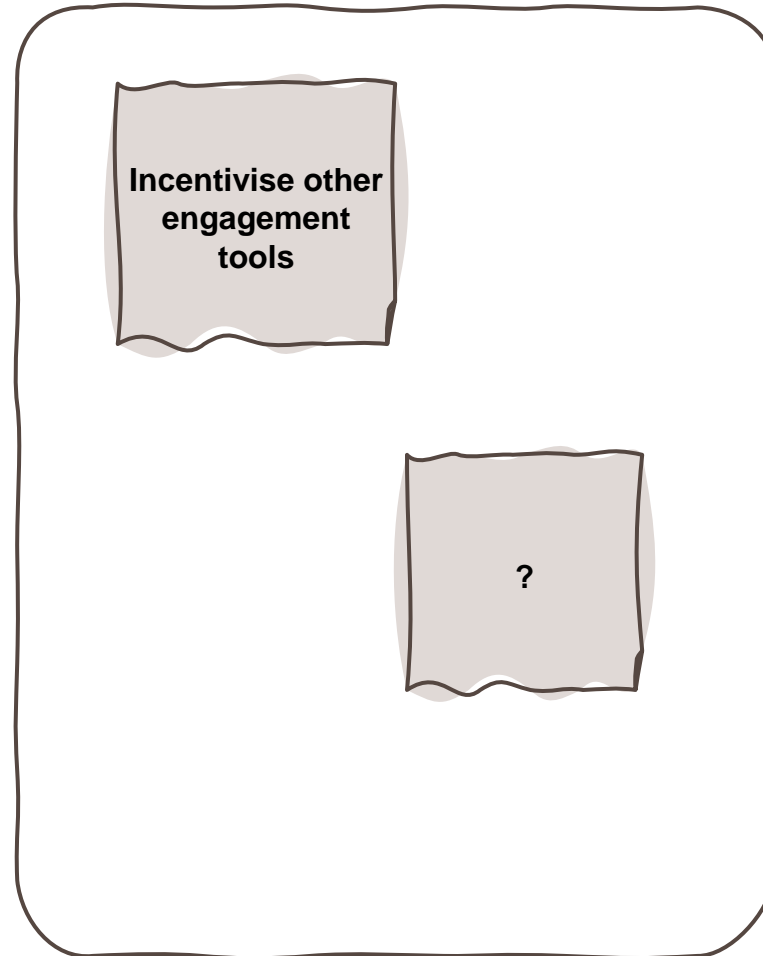
Retailers retain ability to disconnect in certain circumstances, such as fraud and for those that *can* afford to pay and do not want to

# Exercise: Disconnection protections solution space

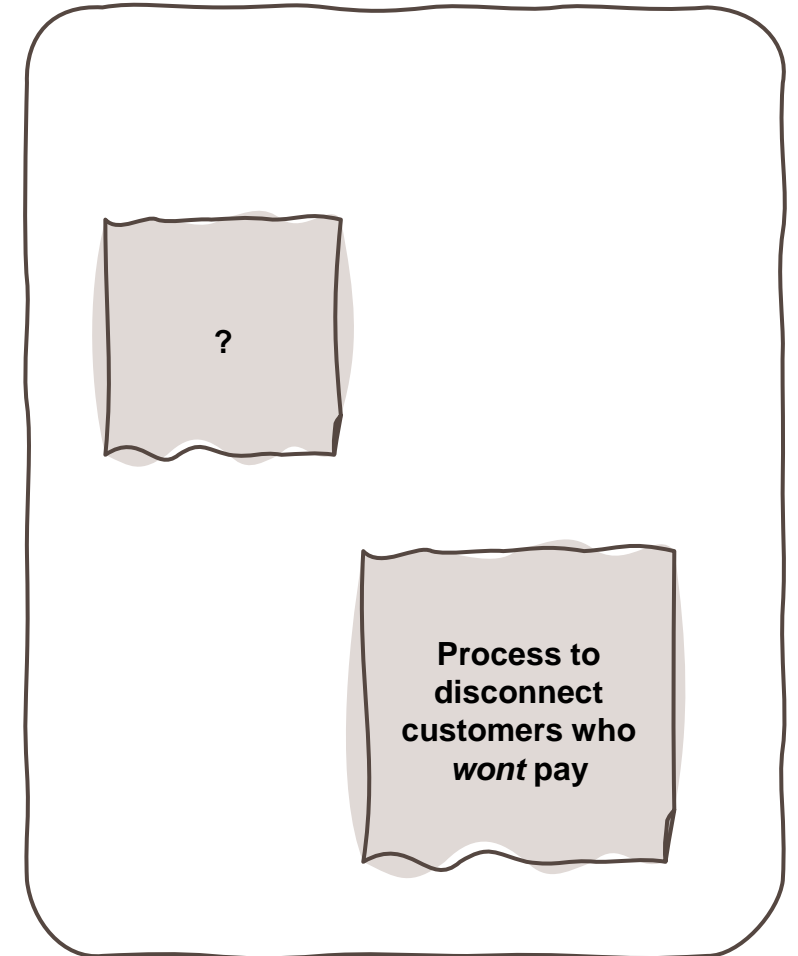
## Ingredients



## Benefits



## Challenges



# Solution space 4: Shared funding pool

## Problems

What isn't working now?

Retailers bear consumer debt and default risk for the entire value chain

Retailers bear the cost of their own hardship programs

Some consumer supports are provided by Governments and NFPs

## Desires

What do we want instead?

Broader, more equitable distribution of costs across energy market participants

Funding source for new initiatives

## Shared funding pool

What are the ingredients of effective solutions in this space?

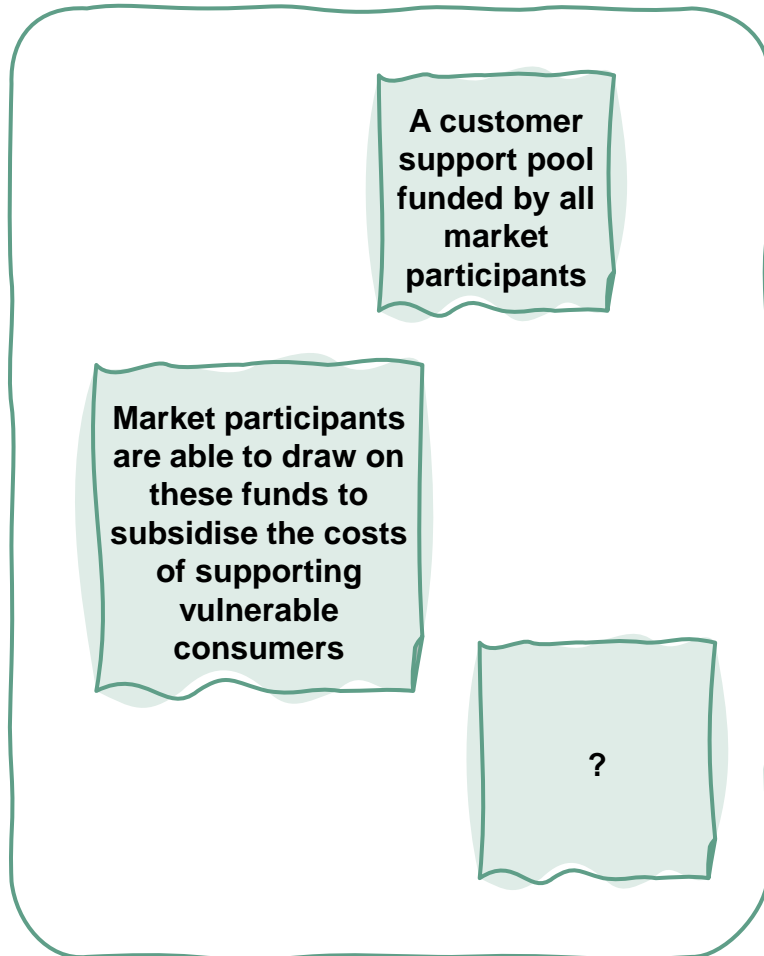
A customer support pool funded by all market participants

Market participants (e.g. retailers or central service body) are able to draw on these funds to subsidise the costs of supporting consumers experiencing vulnerability

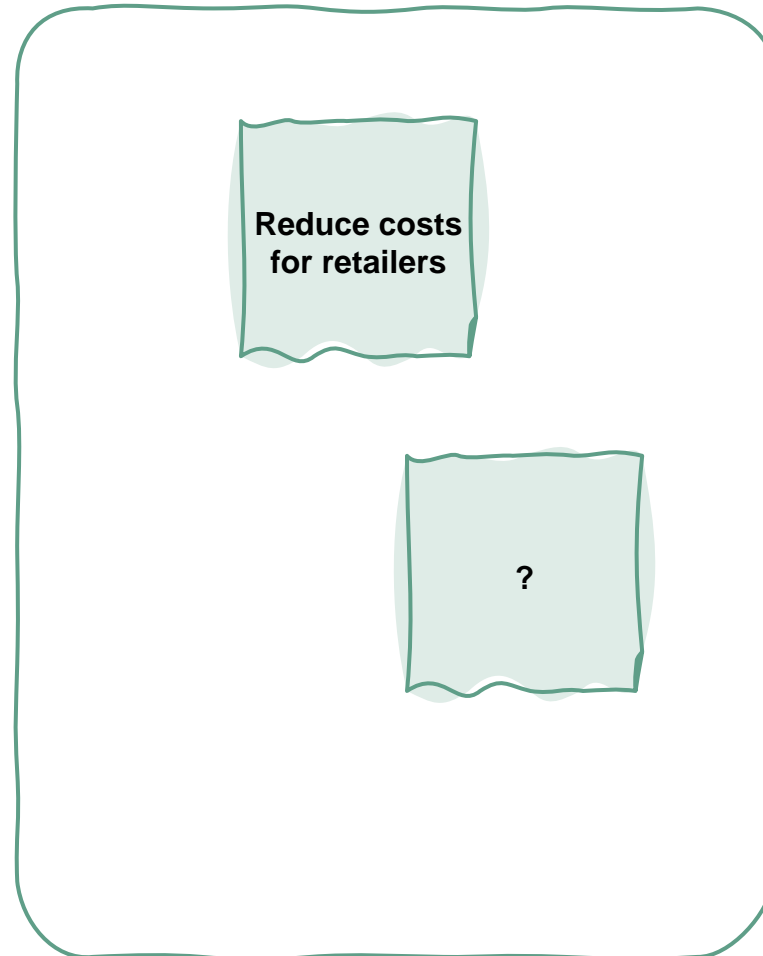


# Exercise: Shared funding pool solution space

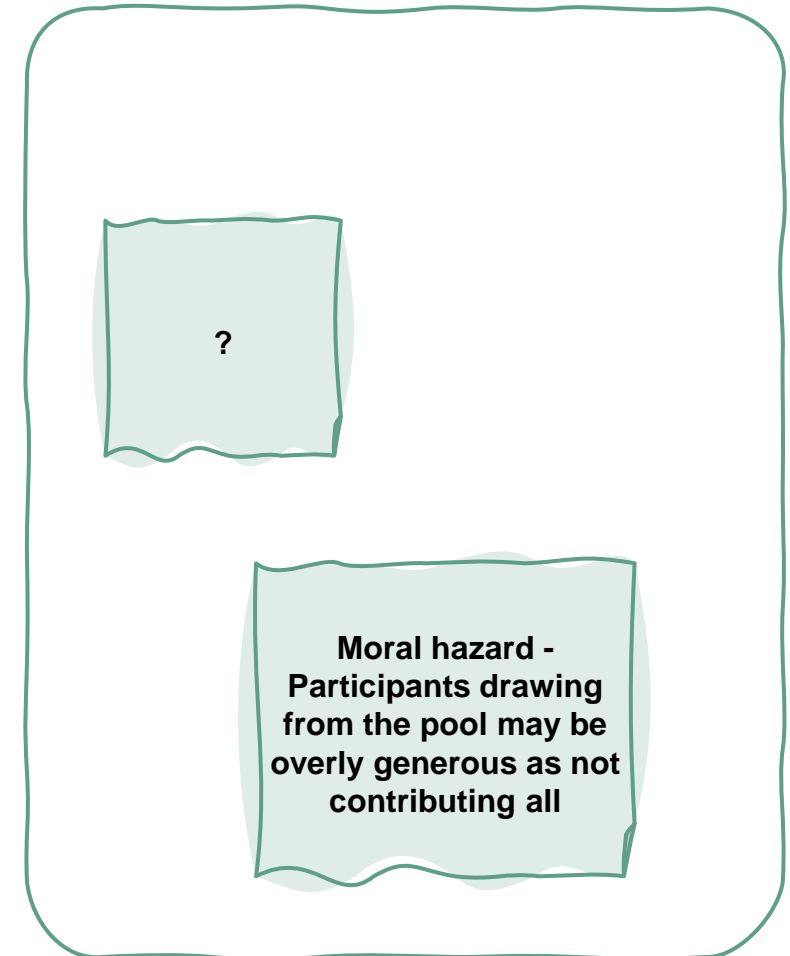
## Ingredients



## Benefits



## Challenges



# Solution space 5: System linkages

## Problems

What isn't working now?

Consumers interact independently with the energy market and other support systems, with limited information flow between systems

Retailers largely unaware if customers are receiving external support

External support systems have little visibility over what energy market supports consumers are receiving

## Desires

What do we want instead?

Enhanced flow of information between external support systems and energy market

Earlier identification of vulnerability

Proactive tailored support for consumers

## System linkages

What are the ingredients of effective solutions in this space?

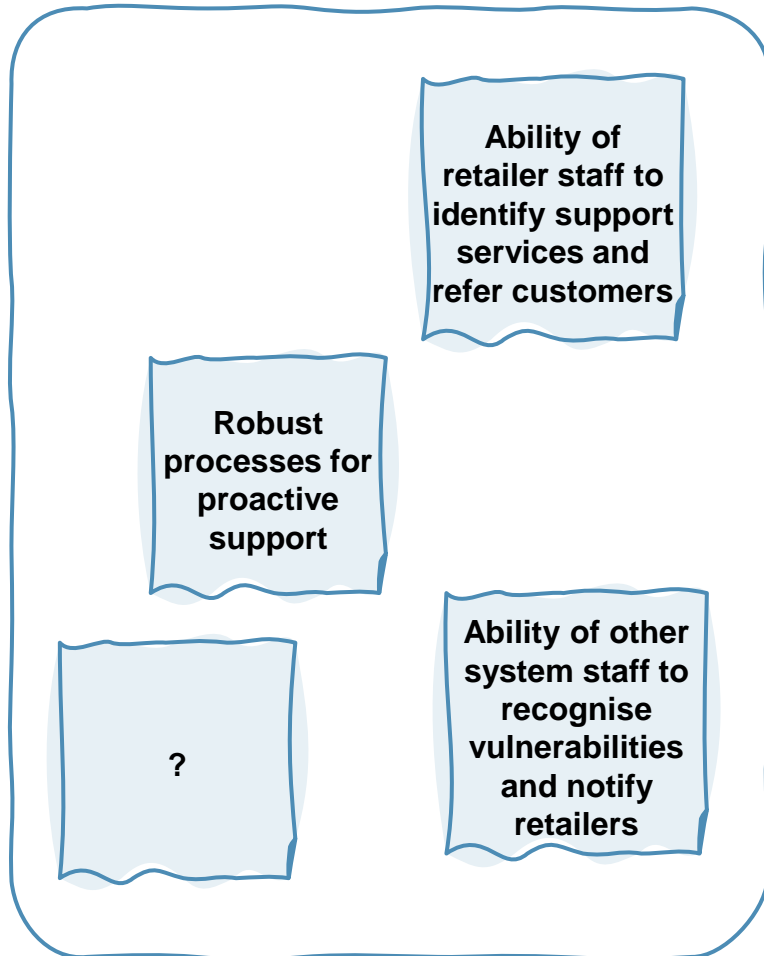
Ability of retailer staff to identify potential support services for customers and refer customers to those services

Ability of other system staff to recognise potential vulnerabilities of energy market customers, and to notify retailers

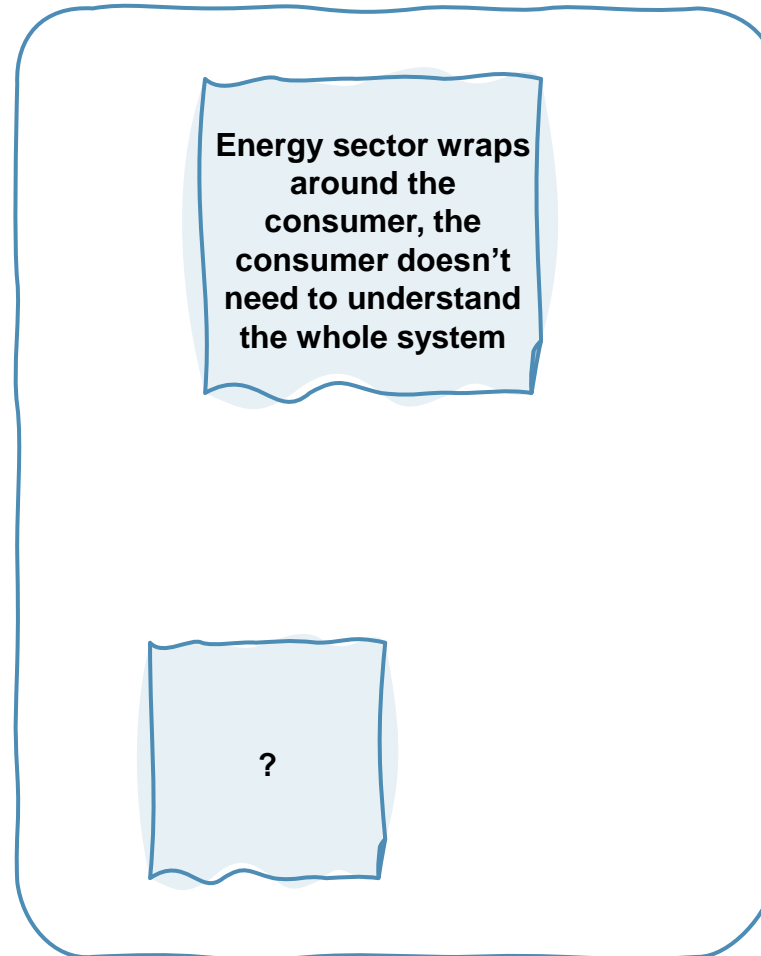
Robust processes for proactive support to be offered to customers with referred vulnerabilities

# Exercise: System linkages solution space

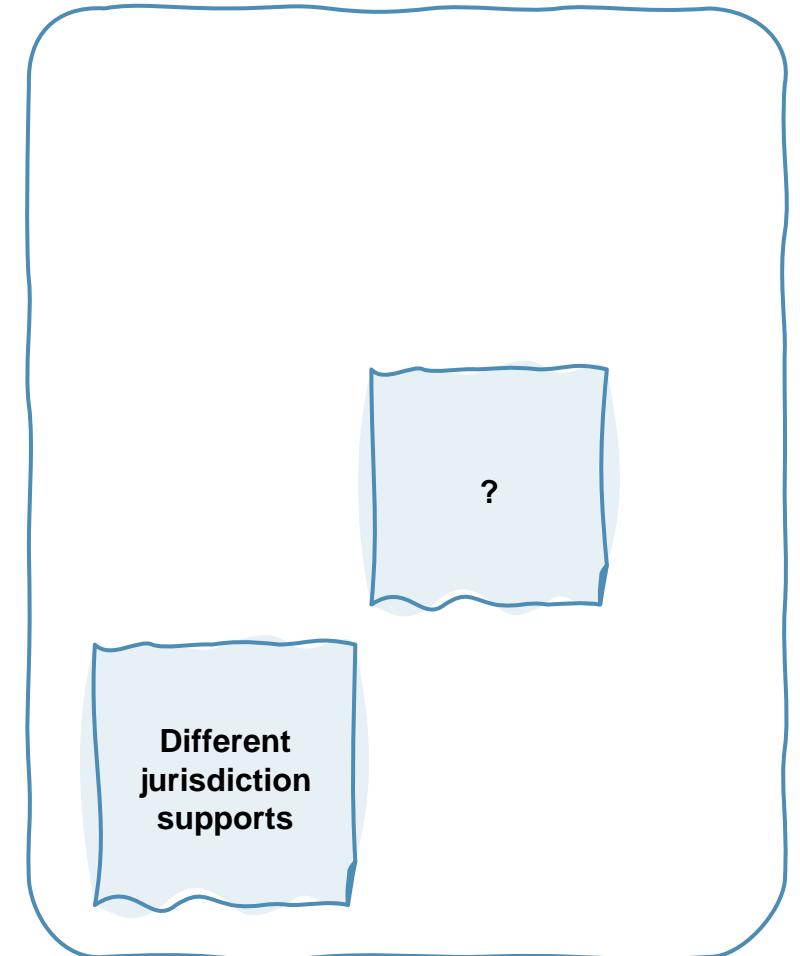
## Ingredients



## Benefits



## Challenges



# Solution space 6: Enabling data

## Problems

What isn't working now?

Energy system collects limited data about customer characteristics and life events

System participants cannot proactively identify consumers experiencing vulnerability and offer supports

Customer outcomes beyond the energy system are not tracked

## Desires

What do want instead?

Proactive identification of consumers experiencing vulnerability, allowing supports to be offered earlier

Collection and reporting of data which links customer outcomes to their characteristics and circumstances

Policy design informed by vulnerability impact assessments and enabled by quantitative data

## Enabling data

What are the ingredients of effective solutions in this space?

Retailer requirement to collect data (with consent) on:

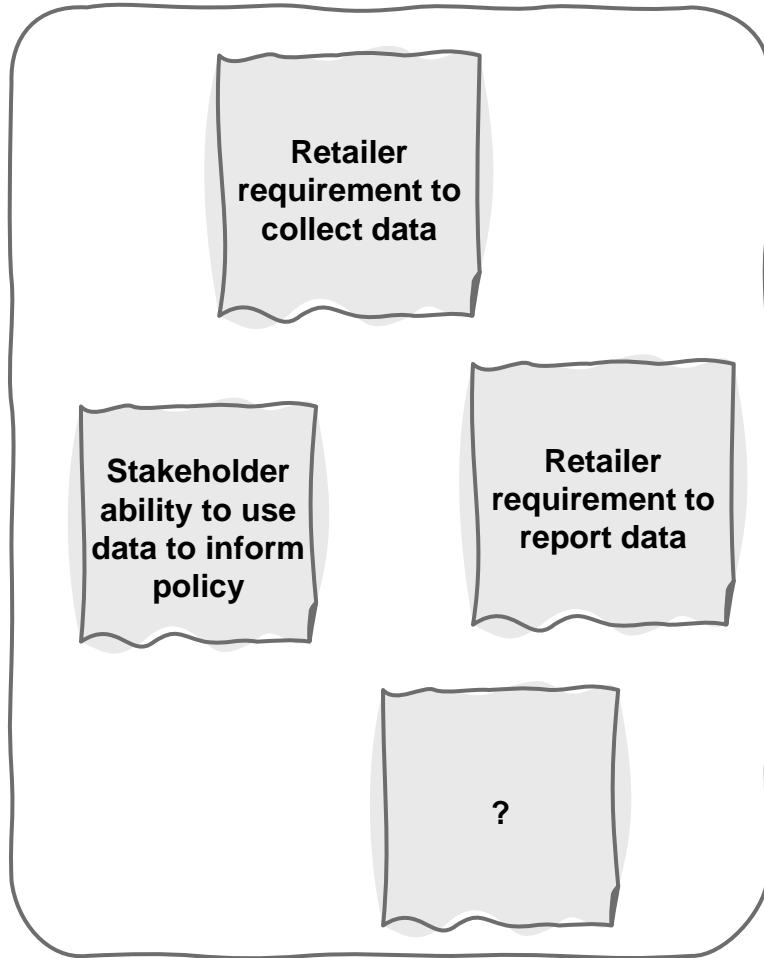
1. customer characteristics as they are onboarded
2. customer circumstances when negative outcomes occur

Retailer requirement to report this data to the AER as part of Retailer Performance Reporting

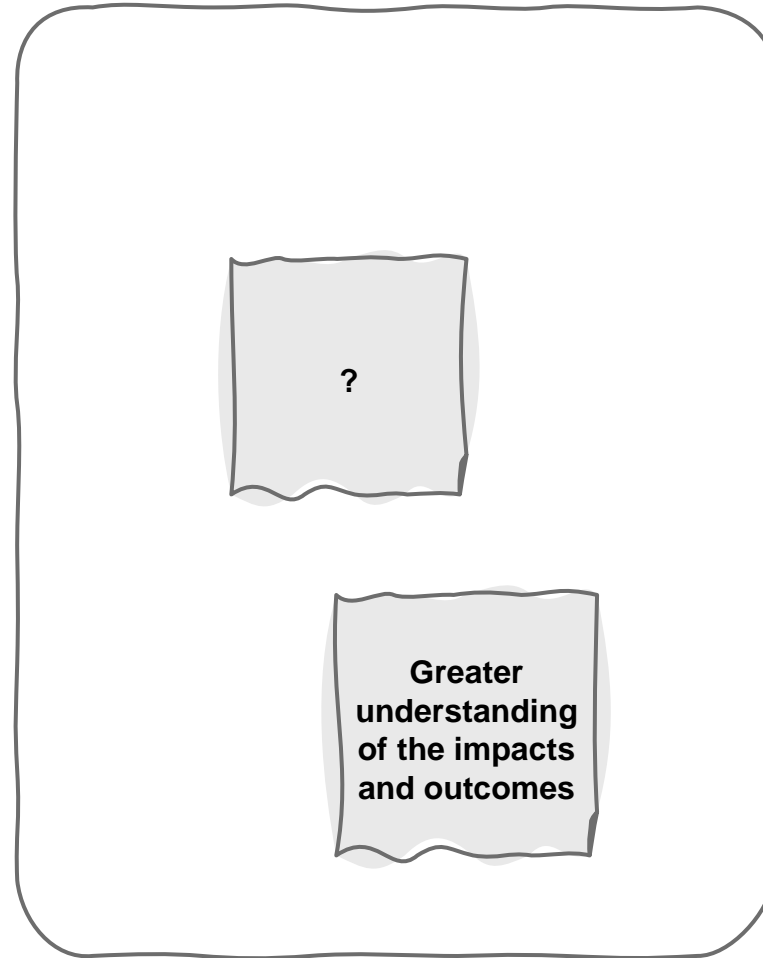
Stakeholder ability to incorporate data and insights into future policy design

# Exercise: Enabling data solution space

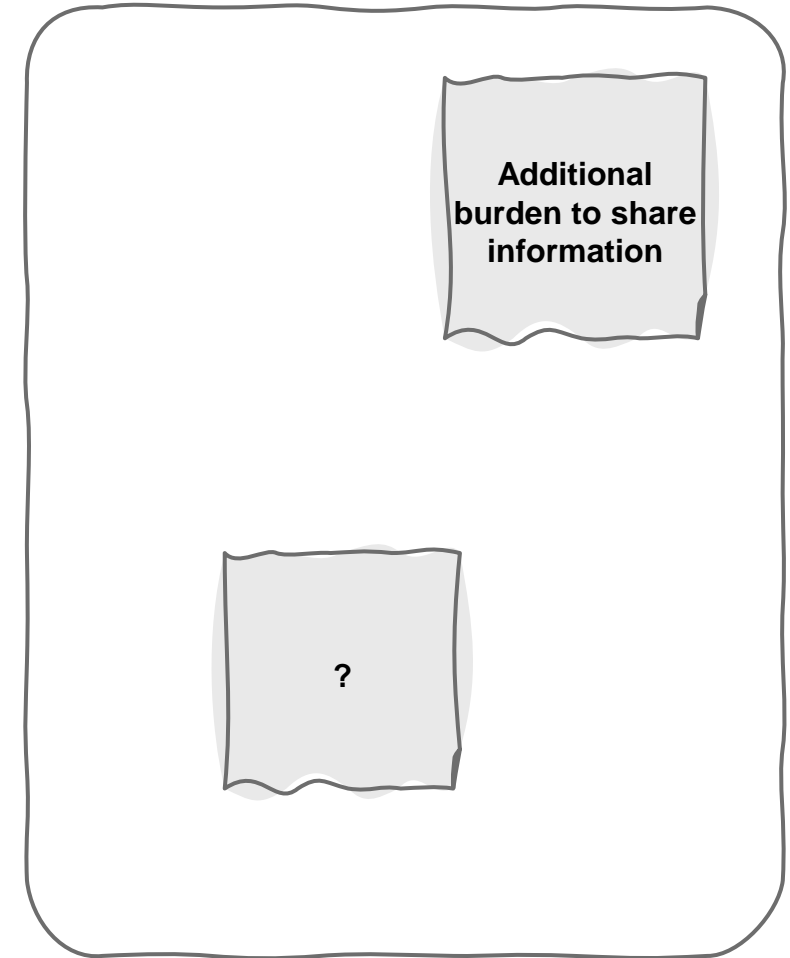
## Ingredients



## Benefits

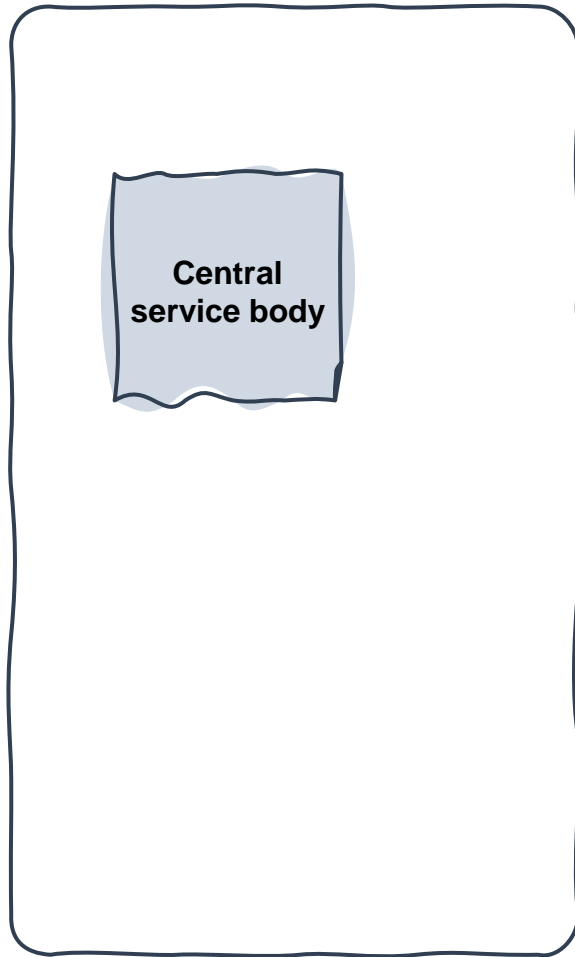


## Challenges

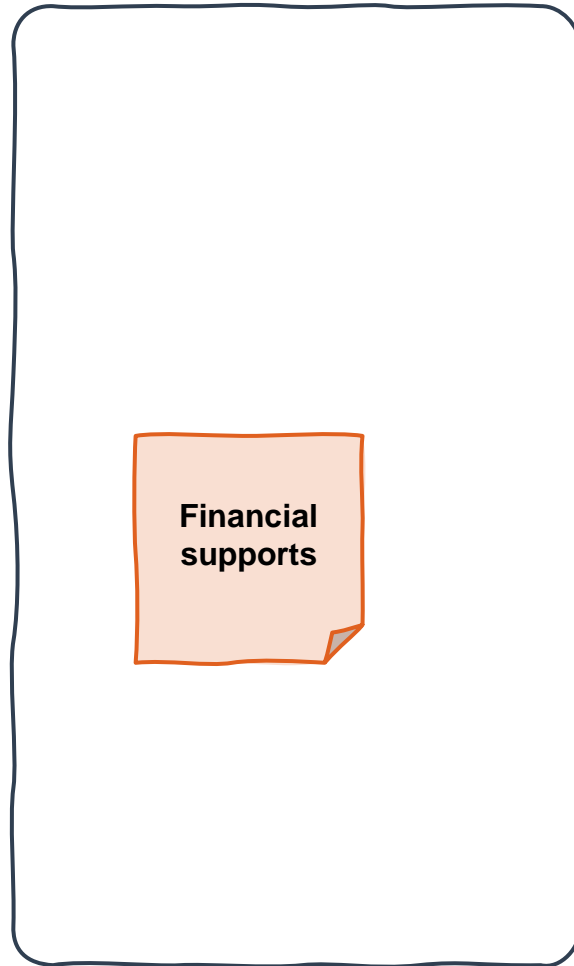


# Exercise: Is anything missing?

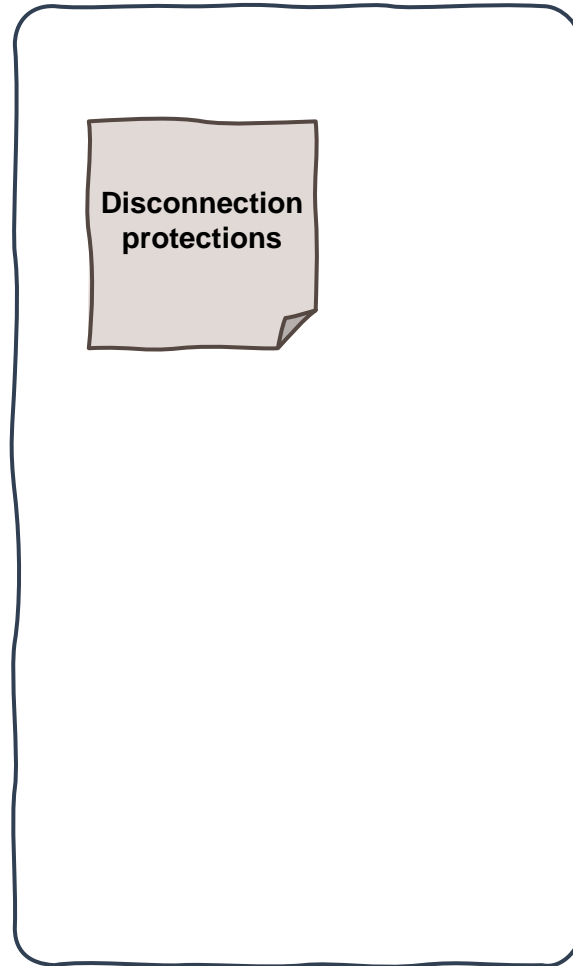
## Operational support



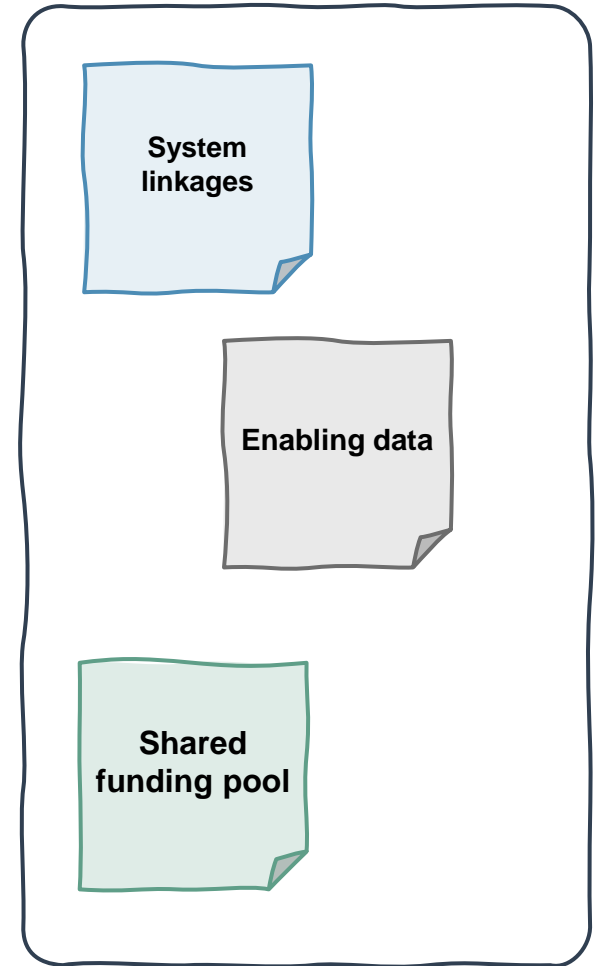
## Financial support



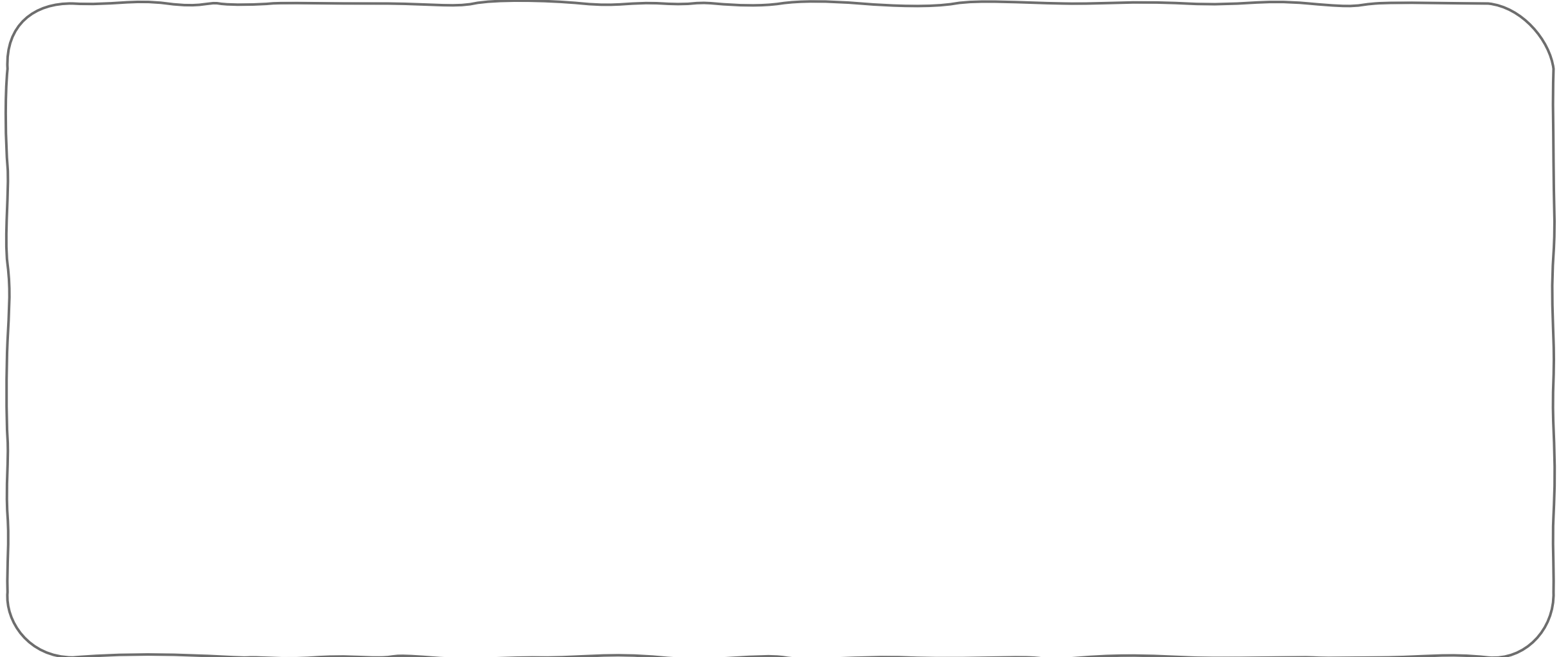
## Regulatory protections



## System enablers



# Discussion summary



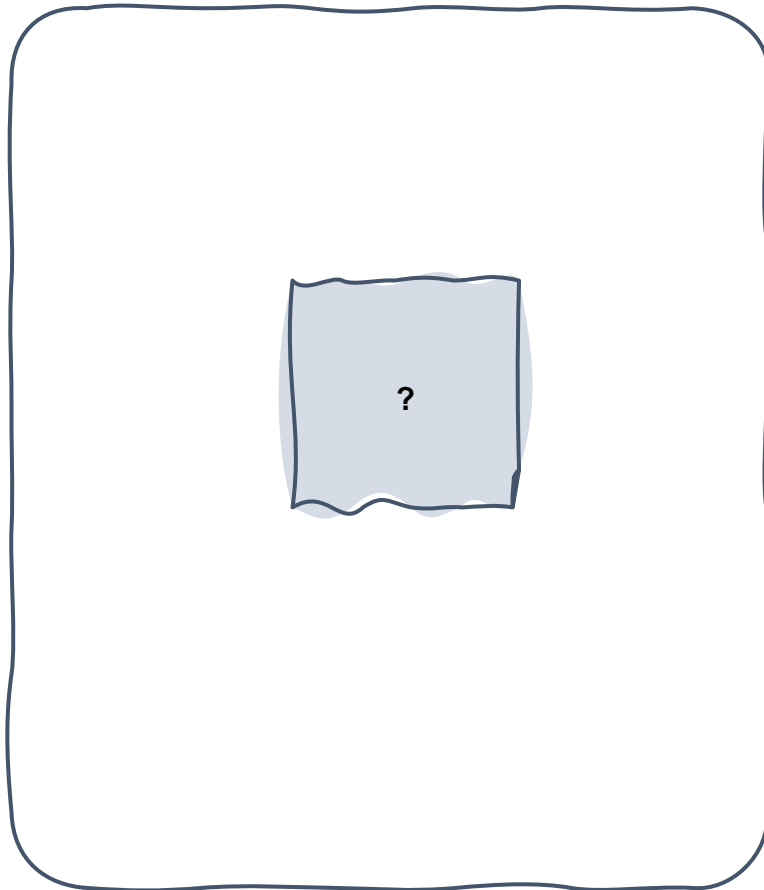
# Exercise: Proposed design process



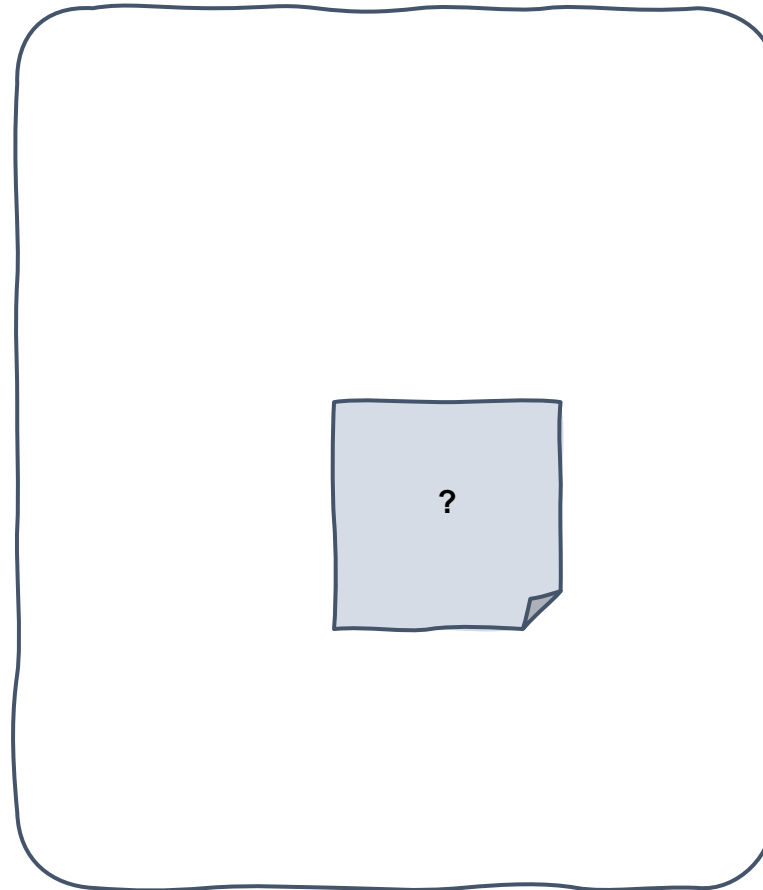


# Exercise: Establishing a design group

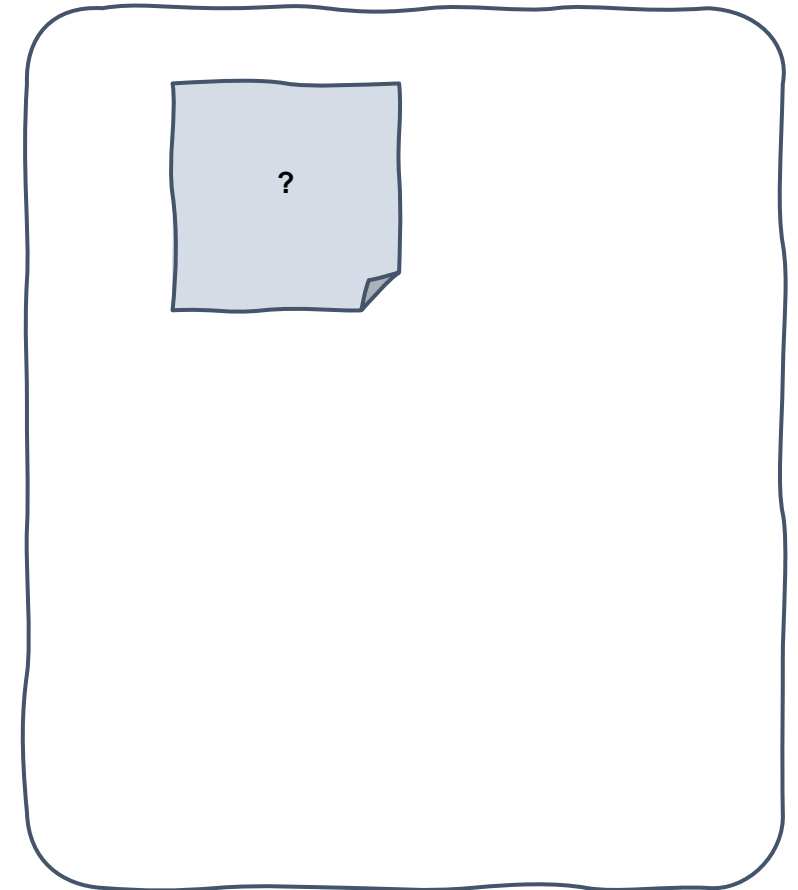
**Whose interests should be represented?**



**What skills and capabilities are needed?**



**Which perspectives must be included?**



# What's next?



## Further meetings / workshops

We plan to hold another workshop in September, which will seek agreement from industry leaders on key outputs from these workshops.



## Game changer design group

We will be in touch soon with more details on the proposed design group.



## Post-workshop feedback

We will reach out following the workshop to share some key takeaways and seek your feedback on the process so far.



## Discussion summary

We would be grateful if you could discuss some of the outputs of today's session with your senior leaders in advance of the next workshop in September (invite to follow).

# Thank you

Please contact the Consumer Policy team at **consumerpolicy@aer.gov.au** if you have any follow-up feedback or queries.